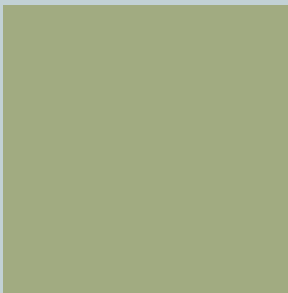
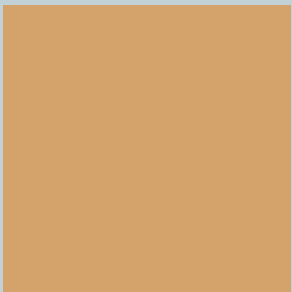


Focused on



Missouri

 **MOHELA®**

2008

Annual Report

 **MOHELA®**

633 SPIRIT DRIVE
CHESTERFIELD, MO 63005-1243

(888) 866-4352 • (636)-532-0610 fax • TDD: (636) 532-5189 Voice & TT

www.mohela.com

Message from the Executive Director & CEO



Success is measureable in many ways, but I believe that the appropriate standard for measuring MOHELA’s success is the extent to which we create value for our stakeholders--Missouri’s students and their families. By this measure, I am pleased to report on behalf of MOHELA’s dedicated employees, management and Board members that our 2008 fiscal year was without a doubt the most successful in our 27-year history. MOHELA’s achievement in creating value is even more remarkable because the 2008 fiscal year presented unprecedented challenges in terms of financial market turmoil and upheaval within the student loan industry itself. While these challenges continue, I would like to focus briefly on the record-breaking and industry-leading returns MOHELA delivered to its stakeholders.

First, a little history. Who could have known that a \$60,000 personally guaranteed loan in 1982 would result in a quarter billion dollar gift to Missouri higher education 28 years later? However, that is exactly what has occurred. Without any state funding, MOHELA’s original Board began operations through a personally guaranteed private loan that has now paid unimaginable dividends to higher education in the state of Missouri. These dividends reached epic proportions during MOHELA’s 2008 fiscal year. Here are some of the highlights:

- ✦ MOHELA disbursed \$233,825,960 to a state fund established primarily to construct and remodel buildings on every public four- and two-year institution of higher education in Missouri. No other secondary market in the nation has been as successful as MOHELA in returning equity directly to institutions of higher education.
- ✦ Fiscal year borrower benefits totaled \$13,250,616. Our benefits included loan forgiveness, fee waivers, and interest rate reductions.
- ✦ General and administrative operating expenses were reduced by \$4,477,679 from fiscal year 2007, despite an 8% increase in assets and an 11% increase in loans owned.

While it is far more enjoyable to focus on the many positive events of our 2008 fiscal year, we also recognize that the student loan industry and financial markets have faced significant challenges in the past year. MOHELA responded to these challenges immediately, efficiently and decisively, evaluating the financial climate and taking definitive action to better position MOHELA to not only weather the coming storm, but also to remain the strong, dependable organization our customers expect. While many secondary markets were unable to fund loans for the 2008-09 academic year or were required to delay disbursements, causing great hardship for student borrowers, MOHELA was able to provide loans--on time--for every Missouri student who sought our assistance. Furthermore, we reduced total expenses by over 16% while at the same time growing our student loan portfolio. As always, we maintained industry-leading service levels including our “zero busy signal” policy and a policy of always having a live customer service specialist answer 99% of all calls in less than one minute.

MOHELA remains unwaveringly focused on serving the needs of students attending Missouri’s 154 institutions of higher education. For over 27 years, MOHELA has been a strong and viable presence in the state of Missouri and throughout the student loan industry and I am proud of our continuing ability to provide educational opportunities that Missourians may not otherwise have access to. We remain fully capable of enduring the current industry and financial market challenges thanks to many years of sound fiscal policies, strong leadership and each and every member of our valuable organization. Hundreds of millions of dollars were returned to higher education this year and we expect many additional dollars to be given back to higher education in the years to come. I am proud to be part of such an incredible Missouri treasure and look forward to finding new ways to provide superior benefits and services, both tangible and intangible, to students, families and postsecondary institutions throughout the state.

Raymond H. Bayer Jr.
Executive Director and CEO

Contents

Page 2-3	Focused on Accountability, Efficiency and Transparency
Page 4-5	Focused on Our Borrowers
Page 6-7	Focused on School and Lender Services
Page 8-9	Focused on Staff
Page 10-11	Financials
Page 12-13	Overview



Focused on Accountability, Efficiency and Transparency

Enhanced Internal Policies & Procedures

MOHELA moved forward this year with new Board members and a senior management group strongly rededicated to accountability, efficiency and transparency at all levels of the organization. MOHELA established an Audit and Finance Committee of three Board members who meet regularly with members of the management group as well as the Authority's external auditor, Deloitte & Touche. Among other achievements, the Audit and Finance Committee implemented an internal audit report process requiring submission of reports simultaneously to the Board members and the Chief Executive Officer. Additionally, MOHELA's Policy, Compliance and Internal Audit area has expanded from a single employee to a five-person staff. In fiscal year 2008, MOHELA implemented:

- ✦ A comprehensive fixed asset inventory process, including new policies and procedures affecting asset acquisition, transfer, and disposal
- ✦ A revised travel and expense reimbursement policy, including restrictions on vehicle use and charitable gifts
- ✦ A comprehensive online travel and expense documentation and approval process
- ✦ A comprehensive procurement policy and a designated procurement officer to oversee actions related to the procurement process

Staff Reduction

As a reaction to the credit crisis and the College Cost Reduction and Access Act (CCRAA) passed by Congress in October 2007, MOHELA reduced staff by 20% throughout the course of 2008 including the elimination of the Consolidation Sales Department as well as cuts in other departments. These staff reductions were accomplished largely through attrition. However, it is important to note that we have maintained the same number of employees in our servicing areas as before, and these staff members have been cross-trained inter-

and intra-departmentally to ensure that all are getting the best and most accurate information possible. The areas that experienced a reduction in staff are working with increased efficiency and employees in those areas have successfully met the challenge of an increased workload. MOHELA has worked to automate and otherwise streamline processes in these and all areas to continue providing borrowers, schools and lenders with the superior quality of service that they have come to expect from us.



MDHE Partnership

MOHELA is very proud of our longstanding relationship with the Missouri Department of Higher Education (MDHE). We work closely with MDHE to ensure that Missouri students and their families have access to superior benefits and services. This

year, MOHELA's partnership with MDHE allowed us to save Missouri students and parents to save over \$6.1 million in federal fees associated with Stafford and PLUS loans.

In May 2008, the U.S. Department of Education expanded the Lender of Last Resort program to include all PLUS and Stafford borrowers who are unable to obtain an education loan under normal circumstances. Prior to this change, the Lender of Last Resort program was only available to Subsidized Stafford Loan borrowers. To ensure continuity of student loan funding for every student regardless of what postsecondary institution they choose to attend and to shield our Missouri schools from the threat of decreased availability of funds, MOHELA has committed to being a lender for this service. Our dedication to students, parents and schools by participating in the Lender of Last Resort program allows MOHELA to continue providing student loans and other resources to borrowers and schools in the state of Missouri without interruption.

Cost-Cutting Committee Efforts

MOHELA implemented a cost-cutting task force, the scope of which was defined and finalized as of September 2007 with a singular goal in mind: to reduce operating costs by \$2.5 million for the remainder of fiscal year 2008. The team, led by our Director of Loan Origination and Servicing, worked to identify any budgeted items that could be eliminated to reduce cost while at the same time maintaining our superior service to borrowers, lenders and schools. Team members worked with every department in MOHELA to eliminate unnecessary expenditures and streamline processes. Because of this company-wide effort, MOHELA was able to realize over \$4.3 million in cost savings by the end of the year.

Lewis and Clark Distributions

MOHELA began its funding of the Lewis and Clark Discovery Initiative (LCDI), a law passed by the Missouri General Assembly which allows MOHELA to provide funding to colleges and universities in the state of Missouri. The initiative provides necessary funding and resources to Missouri postsecondary institutions to create state-of-the-art learning facilities and other projects which prepare students to succeed in an increasingly competitive global marketplace. Financing of these projects, especially those affecting critical areas of study in areas like math and science are critical to the success of Missouri students and their families. At the end of the year, the LCDI had made nine monthly distributions to postsecondary education projects throughout the state totaling \$82,738,244.

MOHELA Payment Schedule: Lewis & Clark Discovery Initiative

Scheduled Payment Date	Payment Type	Scheduled Payment Amount	Actual Payment Amount	Outstanding Amount Due
September 14, 2007	Initial Payment	\$230,000,000.00	\$230,000,000.00	\$0.00
December 31, 2007	Installment	\$5,000,000.00	\$5,000,000.00	\$0.00
March 31, 2008	Installment	\$5,000,000.00	\$5,000,000.00	\$0.00
June 30, 2008	Installment	\$5,000,000.00	\$0.00	\$5,000,000.00
		Total Paid:	\$240,000,000.00	
		Total Outstanding:	\$110,000,000.00	

As of the end of fiscal year 2008, MOHELA had provided nearly \$240 million to the state for Governor Blunt's higher education initiative.

In fiscal year 2008, MOHELA moved forward with new Board members and a senior management group strongly rededicated to accountability, efficiency and transparency at all levels of the organization.

Focused on our Borrowers

System Automation

MOHELA's Systems Management & Support area worked tirelessly throughout the year to automate services that affect our borrowers, schools and lenders, including the processing of bankruptcy claims to borrower accounts, application of the Public Service Rewards Program (PSRP) benefit to eligible loans and streamlining the process by which schools certify and transmit loan applications to MOHELA. Automating these and other critical processes throughout the organization allow more of our frontline servicing staff the time to personally assist our customers and focus on finding solutions to meet the needs of every one of our borrowers, schools and lenders.

We also worked with representatives throughout the industry that use the Pennsylvania Higher Education Assistance Agency's (PHEAA) mainframe system to define more efficient ways to receive, collect, organize and respond to information electronically returned from guarantors. To identify necessary improvements and enhancements, a workgroup was formed in April 2008 and because of their efforts, the entire reporting process was redesigned to best fit the needs of both the guarantors and the servicers who use PHEAA's mainframe system.

Public Service Rewards Program

MOHELA proudly continued its commitment to assist qualifying individuals choosing a noble and fulfilling public service career in the state of Missouri. This marked the fifth year that MOHELA has offered borrowers a 3.25% interest rate on their student loans through PSRP.

Benefit and Program Changes

Due to changes made by the College Cost Reduction and Access Act (CCRAA) to the Federal Family Education Loan Program (FFELP) effective October 1, 2007 and

due to current liquidity issues experienced in the credit markets, MOHELA was forced to alter our benefits and services. After careful consideration, recommendations and requirements from various rating agencies, bond insurers and credit providers, decisions were made to ensure MOHELA's continued ability to provide loans to students and their families to assist with the rising cost of education. Adjustments to our benefits and programs included:

- ✿ Effective February 1, 2008, MOHELA suspended the CASHLoans alternative loan program indefinitely.
- ✿ Effective February 8, 2008, MOHELA suspended origination of SHARP Loan Consolidation® loans until such time as financial market conditions improve.
- ✿ Effective for new loans disbursed on or after April 1, 2008, MOHELA eliminated the 2% principal reduction for GradPLUS loans when the first payment is made on time.

All student loan providers experienced severe reductions in student loan yields due to the CCRAA and financial credit market problems; however, MOHELA remained a strong and viable servicer and secondary market in the FFEL Program. Throughout market and industry turmoil, MOHELA continuously reaffirmed our commitment to the state of Missouri and to providing excellent customer service to all of our lender, school, student and parent customers. After making several adjustments to our Rate ReliefSM benefit, MOHELA made the decision to offer a .25% interest rate reduction to Missouri borrowers.



Prospective Engineering Student Loan Forgiveness Award Program

This year, MOHELA continued our ongoing commitment to provide the means necessary so that students may achieve their educational goals in rewarding fields of study. The Prospective Engineering Student Loan Forgiveness Award Program encourages growth in a specific field of study, targeting college freshmen enrolling in and completing two years of designated pre-engineering or engineering college courses. Implemented in the 2007-2008 academic year, this forgiveness program will reduce student loan balances by up to \$3,500 for students pursuing this degree.

Loan Forgiveness

MOHELA provided over \$1.6 million in loan forgiveness to Missouri students and their families in fiscal year 2008, bringing our total loan forgiveness efforts for borrowers in the state to over \$25.6 million since fiscal year 2003. Since inception, MOHELA has forgiven over \$30 million in loans within the state, and continues to target deserving borrowers attending one of Missouri's 154 postsecondary institutions of higher education. Over 95% of MOHELA's loan forgiveness efforts have been focused on Missouri borrowers at every type of institution across the state.





The addition of Stafford origination rights allowed MOHELA to offer Missouri students and their families the full range of Federal Student Loan programs to meet their educational funding needs.

Focused on School and Lender Services

Stafford Origination Rights

In May 2008, MOHELA gained the ability to originate Stafford loans under the Family Federal Education Loan Program (FFELP). As MOHELA previously had authorization to originate Parent PLUS, GradPLUS, and Consolidation loans, the addition of Stafford origination rights allowed us to offer Missouri students and their families the full range of Federal Student Loan programs to meet their educational funding needs, access higher education and successfully complete postsecondary higher education programs.

Lender Development

As the fiscal year drew to a close, financial markets had seen many drastic changes to the student loan industry. Many lenders were left with no other option than to cut back their student loan offerings or exit the FFEL Program completely. Schools were the first to feel the detrimental effects of this, with some institutions left with reduced lender options to pass along to their students. MOHELA and our lender partners felt the stress of the financial markets as well, but were determined to continue offering low-cost loans to students and their families, no matter which institution their educational goals led them to. Our Lender Development staff worked tirelessly with each of our lenders to establish agreements that not only allowed our valued partnerships to continue but most importantly allowed students and their families in the state to receive uninterrupted funding so they would be able to achieve their educational goals without having to navigate through the rough financial waters of today's market. Thanks to the efforts of our highly regarded and respected lender partners and our Lender Development staff, MOHELA was able to continue offering student loans throughout the state of Missouri to the individuals who need it the most.



LoanConnect Enhancements

Responding to changes in the student loan industry, MOHELA enhanced its LoanConnect product to allow schools and students to see the whole picture when applying for student loans. The most significant enhancement to LoanConnect was to clearly delineate the difference between lender and secondary market benefits to borrowers. By defining which benefits were granted by the lender and which were granted by the secondary market, borrowers get a better idea of which benefits they will be eligible for at any given time. Other changes included:

- ✦ The ability for schools to choose which Stafford loan product is displayed for students.
- ✦ A more accurate calendar to reflect the minimum required \$50 monthly payment amount if the calculated monthly payment falls below the \$50 minimum.
- ✦ Reorganization of LoanConnect pages, including the addition of a "View Benefits" button which allows the link to open and reveal each lender's benefits.

AwardConnect Enhancements

In addition to improving our LoanConnect product, MOHELA worked closely with schools to tailor the AwardConnect product to meet the needs of their staff. MOHELA's AwardConnect allows institutions to transmit award data to MOHELA in a secure online environment. Because of these enhancements, schools now have the ability to:

- ✦ Send pipe-delimited input files in addition to comma-delimited files.
- ✦ Define up to five yes or no questions that display on the "Review" page.
- ✦ Send postcards for each mailing depending on the type of the award letter.
- ✦ Define text that appears on the lender selection page, including information that describes individual benefits offered.
- ✦ Display a "Respond by" field to clearly indicate the requested date to students.

Focused on Staff

Medical Insurance and Other Benefits

MOHELA continues to offer our employees a variety of benefits, including life insurance, vision insurance, short and long-term disability, accidental death and dismemberment, employee assistance and pension, all with no additional cost to our staff. We take pride in offering great benefits while at the same time keeping premiums to a minimum. Because of this, MOHELA made the decision to switch our medical insurance to Mercy Healthcare. Even at a time when so many things are increasing in cost, we were able to make the switch to a plan that kept premiums just pennies away from what we had been paying. Additionally, our new health care plan will provide identical if not superior benefits to our staff. MOHELA continued to partner with both Delta Dental and Vision Benefits of America for our dental and vision coverage, respectively.

Adoption Leave

As an organization, MOHELA continually looks for ways to not only enhance the staff benefits we currently offer but expand what we offer to reach a wide range of employee needs. This year, MOHELA introduced the Adoption Leave policy, which provides an opportunity for employees to take a maximum of six weeks continuous leave while receiving some income benefit to care for and bond with a child after the adoption of a minor. This benefit begins within five days of placement of the adopted child into the adoptive parents' custody. Because of the new Adoption Leave policy, an increased number of staff are able to spend the time they need with their children and families.

Vacation Policy

MOHELA's hourly staff now receive two weeks of vacation time on their one-year anniversary, which doubles the amount of vacation time our employees received in years past. With all the changes in the past year, our staff on virtually every level has had to manage an increased workload. MOHELA feels that perhaps now more than ever, it is important for our employees to have the freedom to take time to focus on the things that matter to them outside the office and to

create a balance in their own lives between their work and personal time.

Flexible Spending Plan

MOHELA introduced its first-ever Flexible Spending Account plan in January 2008, which allows employees to use pre-tax dollars to pay for approved medical and healthcare costs and prescription items. During the year, employees have access to these funds for expenditures including everything from general healthcare to dependent daycare. Employees designate how much they would like to set aside and the requested amount is deducted from their paycheck for those who choose to utilize this program.

Career Paths in Customer Service, Loan Servicing, and Loan Origination

MOHELA's philosophy on servicing is simple: employees who maintain a broad spectrum of industry knowledge are able to better assist each and every type of customer we serve. To develop and encourage the development of our employees' skills and talents, MOHELA has created the Career Path program. The Career Path program allows our valuable front-line operations and servicing staff who deal with our borrowers, schools and lenders to be commended for expanding their knowledge base. This incentive program is available to staff after a requisite amount of time on the floor who become proficient in new areas, excel in research and analytical skills, maintain a positive and helpful attitude and work to promote a good team environment. Levels are reviewed quarterly by management so employees have to continually work on all facets of their training to maintain their status in the incentive program. Although our headcount has been reduced over the past year, those employees that remain are continually learning new tasks and skills they use daily to help our borrowers, schools and lenders, resulting in less compartmentalized information, greater levels of customer service and ultimately less time our customers spend getting the information they need.

Tuition Reimbursement

With education costs on the rise, MOHELA remained committed to providing opportunities for staff to further their studies and achieve their educational goals. This year, MOHELA enhanced the tuition reimbursement program, which offers our full-time and reduced-full time employees who have completed one year of service at the Authority reimbursement for their associate, baccalaureate (any major or emphasis), or graduate degree (business related). Employees are qualified to receive between 50%-100% reimbursement for eligible

tuition and books associated with the coursework, depending on the employee's length of employment at MOHELA and the grade received in the specific course. In fiscal year 2008, MOHELA provided over \$71,000 in reimbursement to employees for tuition and textbooks. For over 15 years, MOHELA has provided tuition reimbursement for staff and we encourage our employees to take advantage of this plan to help them achieve their educational goals.



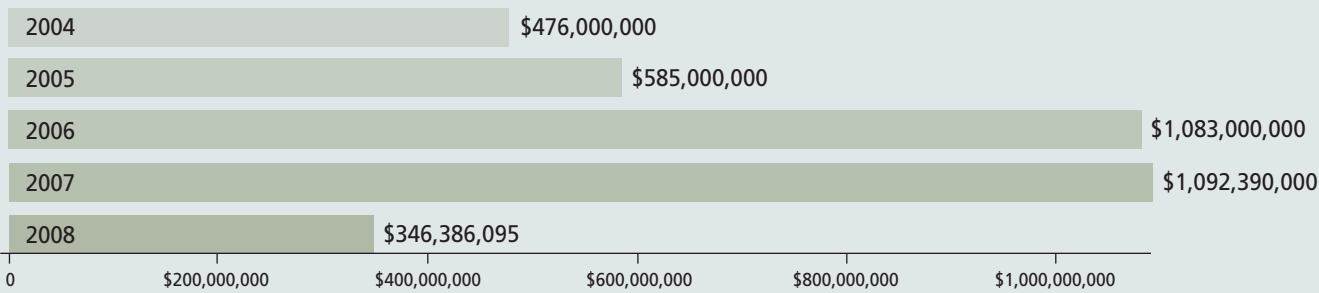
As an organization, MOHELA continually looks for ways to enhance staff benefits we currently offer while at the same time keeping premiums to a minimum.



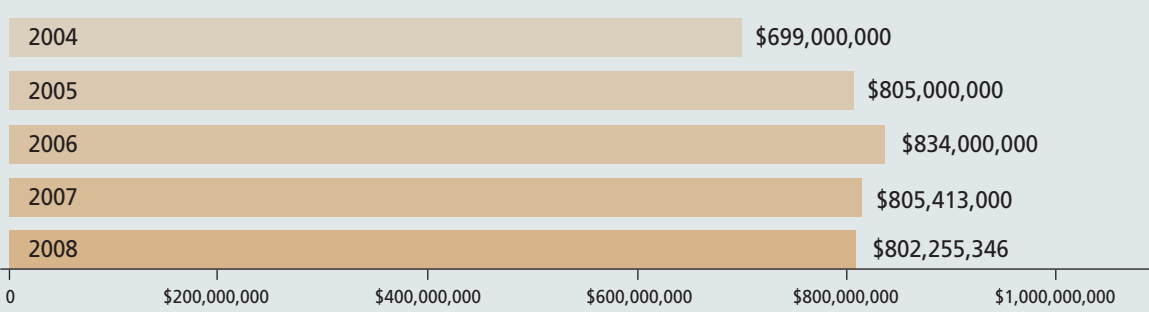
Financials

By all accounts, MOHELA has had another tremendous year. Below is a glimpse of our key financial information with a comparison of data from the previous four years. Full financial statements are available on our website at www.mohela.com.

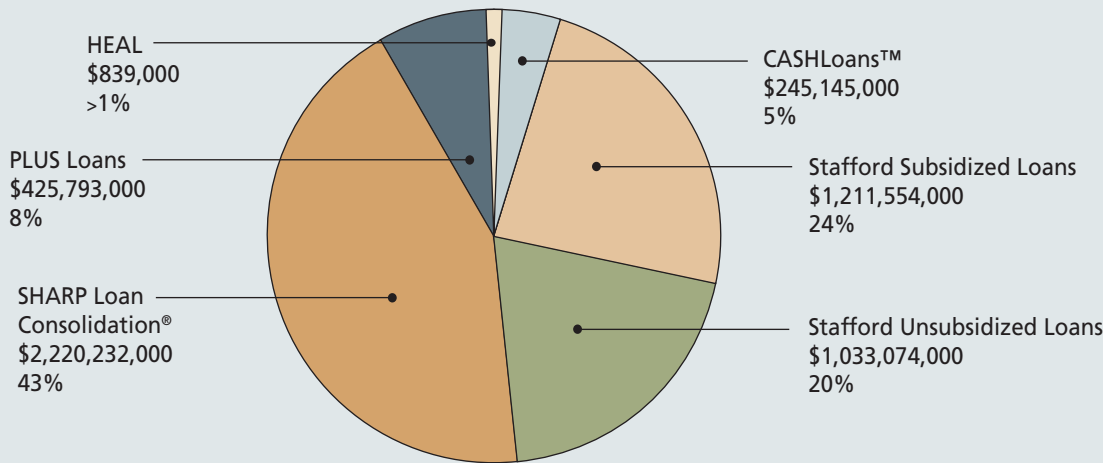
Gross Consolidation Volume



FFELP Loan Origination Volume



MOHELA Portfolio by Loan Type
Totals as of June 30, 2008 (rounded)



	2004	2005	2006	2007	2008
Average Student Loans Owned	3,360,545,698	4,002,095,415	4,721,801,123	5,019,157,984	4,989,729,643
Operating Expenses as a % of Total Loans Owned	0.81%	0.76%	0.73%	0.74%	0.65%
Total General Operating Expenses	27,353,070	30,407,514	34,534,891	37,279,576	32,514,895

	2004	2005	2006	2007	2008
Education Loans Purchased	\$1,209,900,000	\$1,222,300,000	\$1,569,400,000	\$1,664,750,000	\$1,268,458,319
Education Loans Outstanding	\$3,808,500,000	\$4,348,300,000	\$5,188,500,000	\$4,663,673,000	\$5,136,636,315
Total Assets	\$4,526,000,000	\$4,619,300,000	\$5,726,700,000	\$5,086,590,000	\$5,503,394,909
Operating Income Before Special Items	\$35,600,000	\$22,200,000	\$25,400,000	\$18,746,000	\$5,915,000
LCDI Payments	–	–	–	–	\$240,000,000
Fund Balance	\$186,300,000	\$208,400,000	\$233,900,000	\$340,023,000	\$112,068,382

A portion of this selected financial data was derived from the full financial statements of the Authority which were presented in accordance with generally accepted accounting principles and which were audited in accordance with generally accepted auditing standards. Copies of the full financial statements and the independent auditors’ report are available on our website. Go to www.mohela.com and look in the “About Us” section for more information.



Overview

As one of the largest student loan secondary markets in the country and a leading national servicer of student loans, MOHELA relies on the experienced leadership of its Board members and senior management to guide our organization towards a strong and viable future. MOHELA's Board includes highly-respected members of the financial community and the Missouri postsecondary education community, including the Commissioner of the Missouri Department of Higher Education and a member of the State Coordinating Board for Higher Education. In the face of an ever-changing financial industry, the expertise of our Board members combined with our dedicated and knowledgeable staff continues to ensure MOHELA remains a strong and successful organization committed to serving students and parents in the state of Missouri.

Members of the Authority



(from left to right) Mr. Randy Etter, Public Higher Education Representative; Ms. Jennifer Kneib, Lending Institution Representative; Mr. W. Thomas Reeves, Lending Institution Representative; Dr. John F. Smith, Public Representative



Dr. Robert H. Spence, Private Higher Education Representative; Dr. Robert Stein, Commissioner of Higher Education; Mr. Greg Upchurch, CBHE Designate

Executive Management



Raymond H. Bayer Jr., Executive Director and CEO



(from left to right) Susy Crump, Assistant Director Administration; Jennifer Farmer, Assistant Director Loan Servicing; Scott Giles, Director of Finance and Chief Financial Officer; Harry Lohse, Assistant Director Information Systems



Jim Matchefts, General Counsel; Will Shaffner, Director of Business Development and Governmental Relations; Mary Stewart, Director of Loan Origination and Servicing

Senior Management: Lisa Adams, Senior Manager, Systems Management & Support; Terry Bland, Senior Manager of Lender Development; Colleen Slattery, Compliance Officer; Carol Malon, Controller; Chris Lee, Assistant Director Loan Origination; Janet Saulich, Internal Auditor; Barry Usry, Senior Manager, Product Development